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**1981/03/06**



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OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON D.C. 20330

6 March 1981

RESEARCH AND  
ENGINEERING

MEMORANDUM FOR ACTING DEPUTY UNDER SECRETARY (INTERNATIONAL PROGRAMS AND TECHNOLOGY)  
DEPUTY ASSISTANT SECRETARY (EAST ASIA & PACIFIC AFFAIRS).  
INTERNATIONAL SECURITY AFFAIRS  
OFFICE OF GENERAL COUNSEL (INTELLIGENCE, INT'L & INVESTIGATIVE PROGRAMS)  
DEFENSE INTELLIGENCE AGENCY (ASS'T VICE DIRECTOR FOR SCIENTIFIC & TECH INTELLIGENCE)  
DIRECTOR FOR FAR/MIDDLE EAST/S HEMISPHERE AFFAIRS (DCSD/IP&T)  
ORGANIZATION JOINT CHIEFS OF STAFF (JS - FAR EAST/SOUTH ASIA DIV)  
DEPARTMENT OF THE NAVY (OP-52)  
DEPARTMENT OF THE AIR FORCE (CVAIP)  
EXECUTIVE OFFICER, OUSDRE

SUBJECT: PRC MIG-21 Engine Overhaul-Coating Request (C)

(U) On 2 March 1981 (13:25-13:31) I received a phone call from Mr. Lennox K. Black, President of Teleflex, Inc. (parent company of Sermelot, Inc.). Mr. Black stated that the Chinese (PRC) had told him that the Chromalloy American Corporation had recently received approval from the USG to coat three Chinese MIG-21 aircraft engines with their special ceramic-metallic oxide coatings, and that once coated, the engines were to be returned to the PRC for Chinese test and evaluation.

(U) Mr. Black further indicated that the Chinese would like for his company to likewise coat seven other MIG-21 engines using the Sermelloy-J process. Sermelot would, like Chromalloy, also return the engines back to China for their test and evaluation. He asked if the Chinese statement was true; and if so, would his company receive the same treatment? I remarked that I would look into the situation and that all companies would be treated the same.

(U) LtC B. K. Meister, Director, Munitions Control Staff of my Office, reviewed all DoD cases for the PRC and also contacted the Office of Munitions Control (OMC) at State to see if they had either received or approved any such license for the PRC. Neither OUSDRE nor OMC files revealed any such license application or resultant approval. Mr. Wm. Robinson, Director of OMC, did indicate to LtC Meister, however, that he had heard there might be such an application forthcoming shortly. Under the present guidelines as noted in Newsletter 81 and subsequent interpretations thereof, license applications of this type cannot be approved. Mr. Robinson further stated that he would either disapprove or return without action (RWA) all such applications.

(U) At my request, Mr. Robinson indicated he would not disapprove or RWA such license applications until we had the opportunity to discuss them in detail. He was also asked to immediately inform me and his superiors whenever the Chinese, Chromalloy or Sermelot/Teleflex do submit applications for this purpose.

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(C) The primary rationale for requesting OMC/State to delay immediate adverse action on these licenses is because of the potential opportunities they provide the new administration. If approved, they would allow the U.S. to cautiously move into a moderate but closer defense relationship with the Chinese; and it would provide the type of technical assistance they have repeatedly emphasized they need with respect to their interceptor aircraft.

(U) Approval in this instance is obviously a major policy decision, and not simply an operational or technical one, even though the number of engines involved is small and the objective is simply to coat the engines, not transfer the technology. For your information, U.S. companies have set up similar coating facilities in both Western European and East Asian (e.g., Japan and Malaysia) countries, and could be approached by the Chinese to perform the same service.

(S) There are, of course, other potential benefits to the U.S., not the least of which would be the excellent opportunity to exploit the Chinese engines for technical intelligence purposes. If considered appropriate, arrangements could probably be made for the U.S. to assist the Chinese in a joint test and evaluation program. This would be extremely helpful to us if proper test controls and conditions were followed and we had access to all of the test results.

(S) An advantage to approving this type of license application is the fact that only the result (or product) of U.S. technology would be exported. Neither the production know-how nor a process-line type of capability would be exported. Of itself, it potentially opens up for consideration other U.S. services which might be made available to help the Chinese improve their overall tactical posture. At the same time, however, this approach would have the PRC dependent upon the U.S. for future services, unless of course, later USC decisions permitted the technology and process equipment to be exported. Providing only services has other advantages as well. It is, for example, much less dramatic and provocative vis-a-vis the USSR, and is consonant with the step-by-step approach to improving US-PRC relations agreed to during earlier meetings with the Chinese. It would most likely require consultations with our COCOM allies, however, as well as a revision of existing guidelines.

(S) The potential disadvantages of approval are those associated with any closer defense relationship with the Chinese. In addition, the Chinese could convey the results of their tests and evaluations to the USSR. The net benefits to China of their doing so are less obvious, however.

(U) This does appear to be one of the more unique opportunities available to move towards a closer US-PRC relationship. It would also start things moving again vis-a-vis the PRC. It appears to have very limited risks for our own security, and does have other side benefits. It must be a conscious move on our part, however, and should be taken only after the relative risks and benefits have been evaluated by OSD, OJCS and the Services.

(U) Your comments and guidance on what action to take regarding the above-mentioned cases are requested.

*Francis B. Kappeler*  
Francis B. Kappeler, Director  
Military Technology Sharing

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